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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 15, 2002

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

BRIGHT COVE SECURITIES, INC.,	CASE NO.SEC010116
21 st CENTURY TECHNOLOGIES ESCROW,	CASE NO.SEC010111
21 st CENTURY TECHNOLOGIES FUNDING, LLC,	CASE NO.SEC010112
21 ST CENTURY TECHNOLOGIES FUNDING, LPs	CASE NO.SEC010117
ADVANTAGE REAL ESTATE MANAGEMENT LLC,	CASE NO.SEC010114
ADVANTAGE REAL ESTATE MATURITY FUND, LPs	CASE NO.SEC010119
INTEGRATED BROKERAGE SERVICES, INC., and	CASE NO.SEC010120
ALLEN DRAKE,	CASE NO.SEC010115
Defendants	

RULE TO SHOW CAUSE

COMES NOW the Division of Securities and Retail Franchising ("Division"), and alleges that:

1. Defendant Bright Cove Securities, Inc. ("Bright Cove"), is a corporation domiciled in Virginia with its current address at 281 Independence Boulevard, Suite 205, Virginia Beach, Virginia 23462. Bright Cove was a registered broker-dealer, Central Registration Depository ("CRD") No. 41048 in Virginia from June 18, 1996, to December 31, 2001. Defendant Allen Drake ("Drake") was President and principal agent for Bright Cove and acquired Bright Cove in September 1997.

2. Bright Cove was registered as a broker-dealer with the National Association of Securities Dealers, Inc. ("NASD"), with

a limited license to sell mutual funds, variable life insurance and annuities, tax shelters and limited partnerships in the primary or secondary market, and private placements of securities. Bright Cove was not registered to sell general securities, particularly stock, and as a result of a NASD audit was suspended by the NASD for net capital violations on September 4, 2001.

3. Defendants 21st Century Technologies Funding, LLC ("21st Century LLC"), and 21st Century Technologies Funding, LPs ("21st Century LPs") are Virginia entities that were formed by Drake. Defendant 21st Century LLC is the general partner of 21st Century LPs. 21st Century Technologies, Inc. is a publicly traded company located in Fort Worth, Texas.

4. Defendants Advantage Real Estate Management, LLC ("Advantage LLC"), and Advantage Real Estate Maturity Fund, LPs ("Advantage LPs"), are Virginia entities formed by Drake. Advantage LLC is the general partner of Advantage LPs.

5. Defendant Integrated Brokerage Services, Inc. ("IBS"), is a Virginia corporation formed by Drake with its President listed as Dorothy Craig. Defendant 21st Century Technologies Escrow ("21st Escrow") is the "doing business as" name for IBS.

6. All of the Defendants have the same address, 281 Independence Boulevard, Suite 205, Virginia Beach, Virginia 23462.

7. Drake, as principal for the general partner of 21st Century LPs (21st Century LLC was the general partner), engaged in transactions, practices, or a course of business which operated as a fraud or deceit upon the purchasers in violation of § 13.1-502 (3) of the Virginia Securities Act ("Act"), § 13.1-501 et seq. of the Code of Virginia, in that Drake, as principal member for the general partner, sold 6,000,000 of 9,000,000 restricted shares of 21st Century Technologies, Inc., held in 21st Century LP by:

- a. section 14.3 of the partnership agreement prohibits the general partner from borrowing 21st Century LPs' money or using 21st Century LPs' assets other than for appropriate limited partnership purposes;
- b. the general partner never told the limited partners about the sale of the shares;
- c. the general partner never asked for the limited partners permission to use 21st Century LPs' money for purposes outside the intent of the partnership;
- d. the proceeds of the sale of the 6,000,000 shares were not returned to investors once the assets of the general partnership were sold; and
- e. used the proceeds of the sale of the 6,000,000 shares for personal needs and general operating expenses of Bright Cove.

8. Drake, as principal member for the general partner of Advantage LPs (Advantage LLC was the general partner), engaged in transactions, practices, or a course of business which operated as a fraud or deceit upon the purchasers in violation of § 13.1-502 (3) of the Act in that Drake misappropriated money from Advantage LLC to exercise Drake's option to purchase restricted shares of 21st Century Technologies, Inc. by:

- a. using the proceeds from the sale of two real estate limited partnerships held by Advantage LPs to purchase such restricted shares without obtaining the permission of or informing the limited partners, in violation of paragraph 15.3.12 of the partnership agreement;
- b. using said proceeds to buy the 21st Century Technology stock in violation of the stated purpose of Advantage LPs, which was to acquire a portfolio of real estate securities; and
- c. executing a promissory note to Advantage LPs in the amount of \$550,000 with a 10% term in violation of paragraph 15.3.12 of the partnership agreement that prohibits the general partner from borrowing money.

9. Drake created Integrated Brokerage Services, Inc. ("IBC") d/b/a 21st Century Technologies Escrow ("21st Escrow") in order to offer and sell restricted shares of 21st Century

Technologies, Inc. stock through a single source, IBS d/b/a 21st Escrow in violation of § 13.1-507.

10. Offers and sales of unregistered stock by 21st Escrow by and through Drake were in violation of § 13.1-502 (3) in that the offers and sales were transactions, practices, or a course of business which operates a fraud or deceit upon the purchaser by:

- a. failing to inform purchasers that the stock was unregistered;
- b. failing to inform purchasers that 21st Century Technologies, Inc., was not able to offer or sell the stock directly to purchasers;
- c. failing to inform purchasers that certain amounts of the stock were Drake's personal shares;
- d. failing to inform purchasers that Drake was selling the stock at a mark-up greater than his cost; and
- e. failing to inform purchasers that the restricted stock the purchasers were buying was ineligible for resale.

11. IBS employed at least three unregistered agents involved in the offer and sale of unregistered securities in violation of § 13.1-504 B of the Act.

12. Drake was employed as an agent for Bright Cove and IBS in violation of § 13.1-504 B of the Act.

13. IBS violated the following Securities Act Rules:

- a. Rule 21 VAC 5-20-240 A & B in that IBS failed to maintain any of the books and records required by this rule, including failure to even maintain a checking account.
- b. Rule 21 VAC 5-20-250 A & B in that IBS failed to create, develop, or preserve the required records of a broker-dealer.
- c. Rule 21 VAC 5-20-260 A through D in that IBS failed to provide any supervision of any of the agents that offered and sold securities, including allowing agents not licensed to sell general securities to sell restricted stock.
- d. Rule 21 VAC 5-20-270 in that IBS failed to maintain any customer files.
- e. Rule 21 VAC 5-20-289 A 1 in that IBS routinely delayed the delivery of customer's securities for up to six months.
- f. Rule 21 VAC 5-20-289 A 2 in that IBS routinely reviewed customer's free cash balances and solicited any clients with a free cash balance to purchase 21st Century Technology, Inc. stock.
- g. Rule 21 VAC 5-20-280 A 3 in that IBS routinely solicited customers to sell all mutual funds to invest in 21st Century Technologies, Inc. stock.

- h. Rule 21 VAC 5-20-280 A 9 in that IBS arbitrarily determined the sale price of 21st Century Technologies, Inc., stock depending upon the customer.
- i. Rule 21 VAC 5-20-280 A 14 in that IBS sold restricted shares of 21st Century Technologies, Inc., stock at a discount to the market price without telling purchasers the stock would not be freely tradable for at least twelve months after the date of sale.
- j. Rule 21 VAC 5-20-280 A 16 in that IBS routinely guaranteed customers that 21st Century Technologies, Inc., stock was going to be profitable.
- k. Rule 21 VAC 5-20-280 A 20 in that IBS failed to disclose to customers that the 21st Century Technologies, Inc., stock came from the personal holdings of Drake, the principal of IBS.
- l. Rule 21 VAC 5-20-280 A 22 in that IBS failed to respond to a written complaint from a customer.

IT APPEARING that the Division's allegations describe activities that constitute acts made unlawful by the Act, it is therefore,

ORDERED that the Defendants appear before the State Corporation Commission in its Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia 23218 at 10:00 a.m. on June 19, 2002, and show cause why Defendants

should not be jointly and severally penalized pursuant to § 13.1-521 of the Act, enjoined pursuant to § 13.1-519 of the Act from future violations, and be assessed the cost of investigation pursuant to § 13.1-518 of the Act, on account of the aforesaid alleged violations.

IT IS FURTHER ORDERED pursuant to § 13.1-519 that the Defendants are temporarily enjoined from violating the Act until such time as the Commission shall hear this matter or further order of the Commission.

IT IS FURTHER ORDERED that the Defendants file on or before May 1, 2002, an original and fifteen (15) copies of a responsive pleading in which the Defendants expressly admit or deny the allegations contained in the Rule to Show Cause. If each Defendant denies any of the allegations, each shall set forth in such responsive pleading a full and clear statement of all the facts, which each Defendant is prepared to prove by competent evidence that refutes the allegations so denied. Each Defendant shall expressly indicate in such responsive pleading whether or not each desires and intends to appear and be heard before the Commission on the scheduled hearing date. Each responsive pleading shall be delivered to the Clerk, State Corporation Commission, Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and shall contain the caption setting forth the style of this case and its number.

IT IS FURTHER ORDERED that the Defendants shall be in default if they fail to either timely file a responsive pleading as set forth above or other appropriate pleading, or if the Defendant files such pleading and fails to make an appearance at hearing. Upon such default, each Defendant waives all objections to the admissibility of evidence and may have entered against it judgment by default imposing some or all of the aforesaid sanctions.

IT IS FURTHER ORDERED, in accordance with Rule 5 VAC 5-20-120 A of the Commission's Rules of Practice and Procedure, that this matter be assigned to a Hearing Examiner who shall conduct all further proceedings in this case on behalf of the Commission and file a Final Report. In the discharge of his duties in this case, the Hearing Examiner shall have the power set forth in Rule 5 VAC 5-20-120 and be otherwise governed by its terms.